

**REPORT OF THE AUDIT OF THE  
ALLEN COUNTY  
SHERIFF'S SETTLEMENT - 2002 TAXES**

**August 8, 2003**



**EDWARD B. HATCHETT, JR.**  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Johnny Hobdy, Allen County Judge/Executive  
Honorable Les Marsh, Allen County Sheriff  
Members of the Allen County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the Allen County Sheriff's Settlement - 2002 Taxes.

We engaged Ross & Company, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC, evaluated the Allen County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Ed Hatchett".

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
ALLEN COUNTY  
SHERIFF'S SETTLEMENT - 2002 TAXES**

**August 8, 2003**

**ROSS & COMPANY, PLLC**  
**Certified Public Accountants**  
800 Envoy Circle  
Louisville, KY 40299  
Telephone (502) 499-9088  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
ALLEN COUNTY  
SHERIFF'S SETTLEMENT - 2002 TAXES**

**August 8, 2003**

Ross & Company, PLLC, has completed the audit of the Sheriff's Settlement - 2002 Taxes for Allen County Sheriff as of August 8, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$657,970 for the districts for 2002 taxes, retaining commissions of \$23,395 to operate the Sheriff's office. The Sheriff distributed taxes of \$632,639 to the districts for 2002 Taxes. Taxes of \$420 are due to the districts from the Sheriff and a refund of \$3 is due the Sheriff from a taxing districts.

**Report Comment:**

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.





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Independent Auditor's Report

We have audited the Allen County Sheriff's Settlement - 2002 Taxes as of August 8, 2003. This tax settlement is the responsibility of the Allen County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 13, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Johnny Hobdy, Allen County Judge/Executive  
Honorable Les Marsh, Allen County Sheriff  
Members of the Allen County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -  
August 13, 2003

ALLEN COUNTY  
LES MARSH, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2002 TAXES

August 8, 2003

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Transferred From Outgoing Sheriff	\$ 58,233	\$ 145,890	\$ 332,683	\$ 84,841
Tangible Personal Property				
Intangible Personal Property				
Fire Protection	185			
Franchise Corporation	14,702	40,390	65,056	
Distilled Spirits Taxes				
Additional Billings	72	203	307	28
Oil and Gas Property Taxes	8	19	44	11
Penalties	3,699	9,236	21,042	5,383
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Gross Chargeable to Sheriff	\$ 76,899	\$ 195,738	\$ 419,132	\$ 90,263
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>Credits</u>				
Exonerations	\$ 184	\$ 458	\$ 1,059	\$ 261
Discounts	4	10	18	15
Delinquents:				
Real Estate	10,929	27,234	62,972	15,513
Tangible Personal Property	487	1,361	2,055	562
Uncollected Franchise	107	266	543	
Delinquent Oil	2	6	13	3
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Credits	\$ 11,713	\$ 29,335	\$ 66,660	\$ 16,354
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Taxes Collected	\$ 65,186	\$ 166,403	\$ 352,472	\$ 73,909
Less: Commissions *	2,770	6,910	10,574	3,141
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Taxes Due	\$ 62,416	\$ 159,493	\$ 341,898	\$ 70,768
Taxes Paid	62,255	158,875	340,970	70,539
Refunds (Current and Prior Year)	142	355	820	202
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Due Districts or (Refund Due Sheriff)		**		
as of Completion of Fieldwork	\$ 19	\$ 263	\$ 108	\$ 27
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

ALLEN COUNTY  
 LES MARSH, COUNTY SHERIFF  
 SHERIFF'S SETTLEMENT - 2002 TAXES  
 August 8, 2003  
 (Continued)

\* Commissions:

4.25% on	\$ 240,515
4% on	\$ 64,983
3% on	\$ 352,472

\*\* Special Taxing Districts:

Library District	\$ 13
Health District	8
Extension District	6
Soil Conservation	239
Ambulance	(3)
	<hr/>

Due Districts or (Refund Due Sheriff)	<u>\$ 263</u>
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ALLEN COUNTY  
NOTES TO FINANCIAL STATEMENT

August 8, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of August 8, 2003, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

ALLEN COUNTY  
NOTES TO FINANCIAL STATEMENT  
August 8, 2003  
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 15, 2003 through April 18, 2003.

Note 4. Interest Income

The Allen County Sheriff earned \$467 as interest income on 2002 taxes. As of August 13, 2003, the Sheriff owes \$173 in interest to the school district and \$227 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Allen County Sheriff collected \$32,890 of 10% add-on fees allowed by KRS 134.430(3). As of August 13, 2003, the Sheriff owes \$32,890 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Allen County Sheriff collected \$709 of advertising costs and \$2,105 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). As of August 13, 2003, the Sheriff owes \$709 in advertising costs to the county and \$2,105 in advertising fees to his fee account.



COMMENT AND RECOMMENDATION



ALLEN COUNTY  
LES MARSH, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

As of August 8, 2003

STATE LAWS AND REGULATIONS:

The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

KRS 134.140(3)(b) requires the Sheriff to pay monthly “ that part of his investment earnings for the month which is attributable to the investment of school taxes.” The Sheriff should distribute the investment earnings at the same time as the monthly tax collections. KRS 134.140(3)(d) requires the remaining monthly interest to be transferred to the Sheriff’s fee account. During 2002 tax collections, Sheriff Les Marsh earned interest of \$467 on his tax account. However, Sheriff Les Marsh did not pay the interest to the Board of Education or the fee account on a monthly basis. As of August 13, 2003, Sheriff Les Marsh owes the Allen County Board of Education \$173 and the fee account \$227. We recommend the Sheriff comply with KRS 134.140(3)(b) and (d) by paying the amount of interest due to the school and fee account on a monthly basis.

*Sheriff’s Response:*

*Interest will be paid monthly to the school district and the fee account.*

PRIOR YEAR:

The following comments and recommendations were made in the prior year audit:

- The Sheriff Should Deposit Funds Intact On A Daily Basis

*This finding has been corrected*

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

*This finding has not been corrected*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Allen County Sheriff's Settlement - 2002 Taxes as of August 8, 2003, and have issued our report thereon dated August 13, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Allen County Sheriff's Settlement - 2002 Taxes as of August 8, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation.

- The Sheriff Should Distribute Interest Earned On Tax Collections Monthly

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Allen County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Internal Control Over Financial Reporting

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -  
August 13, 2003



